

## **Small Business Development: Immigrants' Access to Loan Capital**

### **Abstract**

Although immigrant entrepreneurs have accounted for a significant growth in small businesses in the United States over the past decades, we still have limited information on how immigrants access loan capital to seed their new ventures and grow established businesses. This study seeks to shed light on availability of loan programs for immigrant entrepreneurs and better identify potential obstacles these immigrants experience in funding. The findings show that immigrant business owners experience issues with accessing capital due to lack of knowledge about available resources, technical difficulties, and reluctance to obtain loans from financial institutions. The loan providers also identified key constraints such as language barriers and trust issues. This study suggests that government entities as well as other loan providers need to improve communication as well as accessibility to loan programs in order to bridge the resource disparity for immigrant entrepreneurs in accessing loan capital.

### **Introduction**

Immigrant entrepreneurs have become an integral part of the America's business environment, and particularly among the small business sector. Approximately one out of every ten immigrants in the United States establish their own business, and research shows that immigrants are almost twice as likely to start a new business as native-born Americans (Herman and Smith 2010; Fairlie 2012b). In fact, immigrant entrepreneurs presently account for over 30 percent of the small business growth in the United States between 1990 and 2010 (U.S. Census Survey of Business Owners 2007) or approximately 900,000 small businesses, and they have generated in excess of \$776 billion in sales annually (Aguilar 2013). These businesses have also

stimulated employment through hiring approximately 220,000 people in the United States and over 400,000 globally (Anderson and Platzer 2006). As of 2011 immigrants represented 16.7% of all new small business owners in the U.S. (Bellows 2011). Examples of some of these businesses can be seen daily in the proliferation of small stores, restaurants, food-processing businesses, garment factories, and trucking lines (Bowles and Colton 2007) as well as engineering and technology businesses (Wadhwa et al. 2007). Immigrant entrepreneurs are a driving force in creating new business as well as intellectual property, and they have become an integral part of the America's small business environment.

Although a great deal of research has been conducted on immigrant entrepreneurship over the years in the U.S. as well as other countries (Aldrich and Waldinger 1990; Bates, 1997; Brzozowski, Cucculelli, and Surdej 2014; Dana, 1993; Day, 2002; Light 2002; Fairlie 2012a; Hisrich and Brush 1986; Kloosterman 2010; Kourtit and Nijkamp 2012; Kusnirovich and Heilbrunn 2008; Raijman and Tienda 2003; Wilson and Portes 1980 to name a few), we still have a limited understanding about the available opportunities and constraints that immigrant entrepreneurs have on accessing financial resources in the U.S.

Research shows us that lack of capital often precludes many entrepreneurial ventures from even getting off the ground much less flourishing (Evans and Jovanovic 1989). Specific to immigrant entrepreneurs, research by Archidi Ndofo and Priem (2011) shows that immigrant entrepreneurs' capital endowments and social identities bear influence on their market venture strategy as well as venture performance. In fact, many immigrant-owned businesses are still undercapitalized and that most (80%) start their businesses with less than \$50,000 (SBA, 2016). Over two-thirds rely on startup capital from personal or family savings as well as using credit cards, bank loans, personal or family assets, and home equity loans (Fairlie, 2012). The primary

sources of “economic capital for entrepreneurs are their stocks of personal wealth and the equity or debt financing that can be obtained from external sources” (Archidi Ndofo and Priem, 2011, 794).

Therefore, it is important to gain a better understanding of the constraints these entrepreneurs face and determine the extent of their constraints to accessing capital for their business ventures. We question what is occurring with those that do not have the same “ethnic resources”? What is inhibiting these individuals from becoming entrepreneurial or more successful, and what can we learn to help more immigrants enjoy economic independence?

The ability of immigrants to access financial services has critical implications for both practice and the wellbeing of immigrant entrepreneurs. This link is especially important for the members of economically vulnerable groups because securing access to financial capital will increase opportunities for improving their economic conditions and business prospects. Moreover, granting economic opportunities to immigrants often leads to neighborhood-level economic revitalization: immigrants and refugees fill vacant houses, manufacturing jobs, businesses, and cultural amenities in the localities that are both booming and shrinking (Gouveia and Saenz 2000; Schaid and Grossman 2007; Kershaw 2005; Popuch 2009; Fennelly 2005).

We seek to contribute to the extant entrepreneurship literature by filling in some of the puzzle as to how immigrant entrepreneurs access sources of startup capital, particularly regarding the loan resources available for immigrant entrepreneurs and their perception and obstacles of using loans for businesses. This study provides a unique opportunity to compare loan capital resource availability from the perspective of the entrepreneurs as well as from loan provider to gain a better understanding of the constraints that these business owners face in acquiring financial resources to fund their businesses.

Our study takes a mixed-methods approach, analyzing a range of publicly available data on public loan programs and interviewing immigrant business owners and loan providers in Albany, New York to identify the gaps between loan programs and immigrant entrepreneurs. We shall build on prior entrepreneurship research by first providing a theoretical framework of immigrant entrepreneurship development and discuss the disparity that exists in accessing capital, which is the primary motivation for conducting this study. Second, we shall discuss the methods of our study and present the findings. Third, the last section will discuss the limitations of the study and provide suggestions for how policy makers could develop new methods of providing financial assistance to immigrant business owners in order to overcome some of the existing disparities.

### **Immigrant entrepreneurs' access to financial capital**

A large body of literature has been developed on immigrant entrepreneurship and their opportunities for success (Aliaga-Isla and Rialp, 2013; Kloosterman and Rath, 2001; Bates, 1997; Raijman and Tienda, 2003; Curci and Mackoy 2010, to name a few). There are many lenses that have examined stimulating and inhibiting factors for immigrants' business establishment, three of which Curci and Mackoy (2010) summarized as blocked mobility, opportunity structures, and group characteristics. But for purposes of this paper, we shall be looking at a more comprehensive theoretical framework that encompasses all of the aforementioned constructs and other contextual factors.

Among several major theories developed for immigrant entrepreneurship, we have chosen to use a conceptual model from Volery (2007). This model demonstrates that the development of immigrant enterprises depends on a complex interaction between opportunity structures and group resources as shown in Figure 1 below.

**[Figure 1. Interactive model of ethnic entrepreneurship development (Volery, 2007)]**

Specifically, Volery's (2007) model identifies *opportunity structures* and *resource-related factors* as two—one external and the other relatively internal—structural factors that could affect the development of ethnic entrepreneurship. Opportunity structures concern a larger societal context such as market conditions, access to ownership, job market conditions, and legal and institutional frameworks. In addition to opportunity structures, Volery (2007) argues that that resources shared by immigrants from the same cultural background (for example, cultural traditions and ethnic social networks) can also affect the prospect of ethnic entrepreneurship. For example, Raijman and Tienda's (2003) study showed that Mexican social networks during the start-up phase tend to be family-based and lack crucial information about how to start a business (Raijman 2001b). However, their study showed that among Korean entrepreneurs, information flows circulate not only within the family circle but also among ethnic ties connected to the business world. Moreover, their study showed that there are vast differences among how certain groups access resources.

The entrepreneurship research suggests opportunity is a critical concept because the entrepreneurial process often begins with the identification of an opportunity that exists within the market. Baron and Henry (2011) define an opportunity as “perceived means of generating economic value (that is, profit) that have not previously been exploited by others” (Baron & Henry, 2011, p. 251). Once an entrepreneur identifies an opportunity in the market, he or she can identify and acquire resources in the prelaunch phase of entrepreneurship, and resource acquisition is considered to be a key determinant to success (Baron and Henry 2011; Silverman 1999).

Among the factors that have been found to affect how ethnic groups recognize their

entrepreneurial opportunities are market conditions, access to ownership, job market conditions, and legal and institutional frameworks (Volery 2007). For example, although the market is theoretically open for everyone, the type of market that is actually open to immigrants could be different from the one that is open for non-immigrants depending on the level of knowledge, capital, or working conditions required for the market entry. Moreover, immigrants' drive for entrepreneurship is also often motivated by the lack of other opportunities attributed to racial and ethnic segregation (Fairchild, 2009) and challenges in seeking traditional means of employment (Glazer and Moynihan 1970; Light 1979; Moore 1983; Wallace 1997). As a result of these barriers, many turn to entrepreneurship to financially survive as well as create economic independence (Chaganti and Greene 2002). Moreover, Shelton (2010) suggests that on a larger societal level, immigration policies, government policies and regulations, and inter-ethnic competition for business vacancies are critical parts of the immigrant opportunity structures.

### **Disparities in accessing loan capital**

In applying Volery's (2007) model to our study, we contend that while immigrant entrepreneurs may have identified an opportunity in the market and have sought to develop a business, there are significant obstacles in the market that are inhibiting these immigrants from starting new businesses. Although immigrant entrepreneurship and ethnic minority entrepreneurship are distinguishable (Brzozowski, Cucculelli, and Surdej 2014), these two sets of literature share some discussion that accessing capital is a predominant barrier in starting new ventures. Among minority entrepreneurs, lack of start-up funds, lack of savings, and lower socioeconomic status, have been identified as factors that can make differences in loan opportunities. For example, wealthier entrepreneurs are often able to negotiate and obtain larger loans with better credit terms for their new businesses (Avery, Bostic, and Samolyk 1998).

Research by Cavalluzzo and Wolken (2005) found that personal wealth, primarily through home ownership, increase loan approvals among existing business owners. In contrast, many disadvantaged low-income small business borrowers tend to struggle with the application process for subsidized loans as well as gaps in capital, asset, and information (Bates, Lofstrom, and Servon 2011; Servon et al. 2010).

Some researchers have also examined race or ethnicity as one of the variables in examining disparities in accessing loan capital, and the research indicates that minorities have low levels of startup capital relative to non-minority owned businesses (Bates 1997; Fairlie and Robb 2010). African Americans and Latinos in particular have greater difficulty acquiring loans from financial institutions for businesses (Bates and Robb 2013). Even when minorities are able to obtain loans, the loans are often of smaller amounts and at higher interest rates that result in an undercapitalized business. These undercapitalized businesses tend to experience more barriers and constraints than businesses receiving the optimal amount of capital from startup (Fairlie 2012b). Research shows that lack of capital among minority-owned businesses results in these businesses being smaller in size, hiring fewer employees, experiencing lower sales, being less profitable, and having lower survival rates in comparison to non-minority owned businesses (Fairlie 2012b, Bates 1997; Fairlie and Robb 2008; 2010).

Likewise, similar disadvantages apply to immigrant entrepreneurs. Acquiring start-up capital can be particularly challenging for immigrant entrepreneurs because many of the resources that help immigrants and refugees to learn about financial opportunities are often lacking or not readily available to them (Wolfington 2006; Garrett 2006). These immigrants are also less likely to use a wide variety of financial services offered to other small businesses, which may be due to several factors such low income, language barriers, cultural differences, or

lack of experience with financial institutions (Paulson et al. 2006). As a result, many immigrant business ventures are financed using personal or family savings, family assets, home equity loans, and credit cards for startup capital (Fairlie 2012).

Several studies indicate that particular ethnic groups are better at entrepreneurship because of their cultural approaches (Light 1972; Modell, 1985; Portes, 1987; Light and Bonacich, 1988; Min 1991; Yoon 1991; Light and Gold 2000). In particular Cubans, Jews, Chinese, and Koreans have been shown to be adept at acquiring “ethnic resources” (Light 1984), and that these “ethnic resources” such as social capital are mobilized to provide access to training, credit, capital information as well as business opportunities (Portes and Sensenbrenner 1993). For example, some immigrant groups such as Korean and Chinese on average begin their operations with \$57,191 initial capitalization which is 79.1% higher than non-minority start-ups, and 55.5% higher than Asian non-immigrant-owned new ventures (Bates 1997). Still, Fields (2012) showed that immigrant-owned firms tend to have \$434,000 in average annual sales, which is 30 percent less than non-immigrant owned firms that average \$610,000 in average sales. Overall, the greater incidence of marginal firms creates significantly higher failure rates among minority owned businesses (Bates, Jackson, and Johnson, Jr., James 2007).

### **Method**

In effort to shed more light on financial opportunities for immigrant entrepreneurs and offer potential solutions, this study used a mixed-methods approach. We first collected a range of public data to understand what loan programs are available to immigrants. In addition, we conducted interviews with small independent immigrant business owners and loan providers to identify the gaps between loan programs and immigrant entrepreneurs. This method was specifically chosen because qualitative data collection is considered appropriate when assessing

the attitudes, opinions, and behavior of a targeted population (Kothari 2004).

Our primary site for data collection was Albany, the Capital of the New York State, located 150 miles north of the New York City. Albany is a multiracial and multiethnic city that contains nearly 99,000 residents (on average 52% White, 29% Black or African American, 9% Hispanic or Latino, 6% Asian, and a growing refugee population from various countries). Nearly 12 % of the population is foreign-born, half of which are non U.S. citizens (U.S. Census 2016). This study focused on the demographic area of the southeast side of Albany, near the downtown area, including Central Avenue, Washington Avenue, Delaware Avenue, Madison Avenue, and Lark Street. This area was chosen specifically because this area displays a larger concentration of ethnic stores in comparison to other parts of the capital. This area is also adjacent to three distinctively low-income neighborhoods (i.e., Arbor Hill, West Hill, and South End) that show a disproportionately high level of poverty (20-40%), a high percentage of African American populations (50-75%), and concentration of refugee populations (Personal Communication, November 8, 2016).

Our data collection was based on a stratified random sample of business establishments in the focus area. Prior to sampling the area, we first compiled a list of businesses from the local business improvement district database, online data search, as well as by personally canvassing the area. These steps were necessary because not all of the immigrant businesses were readily available from published sources. We made an extra effort to walk around and cross-reference the storefront information to our dataset. Our initial dataset compiled 257 businesses, but we excluded the box and chain stores in order to focus on small independent businesses. While a majority of these stores had ethnic characteristics (i.e. immigrant business enterprises that deliver ethnic products or services to both ethnic and non-ethnic customers according to the

classification used by Curci and Mackoy, 2010), our dataset included non-ethnic stores as well because the ethnic background or migration history of the business owners was unknown only by the type of businesses. Due to our time and funding constraints, we identified 125 businesses by using a stratified random sampling method (Levy and Lemeshow 2013; Kothari 2004), and this number became the basis for our initial contact.

IRB-certified interviewers visited these businesses at least once to check the owner's interest and availability for participating in the study. In addition, the interviewers contacted the majority of the businesses by email and/or phone when the business owners were not available during the first visit. Despite multiple attempts to reach out to the businesses, most business owners either did not respond or refused to participate. Out of the 125 businesses targeted in our outreach, 20 businesses had gone out of business, and only 28% of the population consented to be surveyed and interviewed. In total, 35 business owners agreed to participate in the interviews during between June and December 2015. Each interview took approximately 40 to 45 minutes on average to conduct. The interviews with business owners used structured questions to understand the overall characteristics of the participating businesses and their answers. The interview questionnaire included a number of closed-ended questions about the resources and barriers to obtain start-up capital as well as general information about the characteristics of the businesses. Several open-ended questions were incorporated to encourage business owners to share more detailed qualitative information. The descriptive characteristics of the participants are summarized in Table 1.

**[Table 1. Descriptive characteristics of business owners who participated in the study]**

The second part of this study consisted of conducting interviews with loan providers using semi-structured and open-ended questions. Loan providers were selected from the local

listing of resources in the area. Specifically, we initially contacted two local microlenders that are well known for actively serving the small business community. Then we later contacted two more loan organizations using a snowball sampling technique. Altogether four loan providers participated in the interviews from the local, state, and federal level agencies that provide microloans in the Albany area. It should be noted however, that one of the organizations indicated that in addition to serving the local Albany area, they also cover other parts of the state of New York. The key interview questions focused on their loan programs and marketing and outreach efforts towards immigrant entrepreneurs. Interviews took one hour on average. The interviews, when possible were voice-recorded, upon verbal consent, and then later transcribed. Each of these interviews also took approximately 40 to 45 minutes on average to conduct. We analyzed common language or topics that frequently came up under each interview question. Those information was extracted and aggregated for identifying consistent themes (Gläser & Laudel, 2013). The comments that are reflective of consistent themes and representative of the findings are quoted in the findings section.

## **Findings**

### ***Source of loans for immigrant businesses***

As identified in Table 1, presently, there are only a few direct loan programs available from federal or state programs specifically targeting immigrants for start-up funds. The federal and state government programs provide finance, training, or technical assistance to intermediary organizations that provide loans to small businesses. For example, SBA provides grants to community development finance institutions (CDFIs) or the Program for Investment in Entrepreneurs (PRIME) grant applicants. The CDFIs or local organizations that receive PRIME

grants will then distribute (micro)loans to the small business owners. The state-level programs also operate in a similar fashion. For example, the Empire State Development Corporation, State of New York provides funds, training, programs, and other supporting services to CDFIs or community-based economic development organizations. For example, the New York State supports local organizations through the Minority and Women Revolving Loan Trust Fund Program that aim to make low-cost financial assistance to minority and women-owned businesses that are unable to access traditional financial services. In addition, New York State Small Business Development Centers also provide various microenterprise training and technical assistance to those who plan to start businesses.

**[Table 2. Federal government loan programs]**

The list of local CDFIs and PRIME grantees are shown in Table 2. Our research indicates that the majority of these organizations provide microloans to disadvantaged populations located in New York City. Only two PRIME grantees are located Albany, the Capital Region, which is an indication that smaller cities may have fewer loan opportunities than bigger cities. Also, as shown in Table 2, the loan limit of CDFIs ranges from \$25,000 to \$500,000. Approximately 70% of the CDFIs provide technical assistance for the loan application process, and CDFIs also provide other services related to childcare, industrial services, home ownership, and community development. However, our study only revealed one CDFI program in New York City, which specifically identified as providing a refugee project and financial resources to the immigrant population. Thus, our preliminary research suggests that immigrants may not be the focus of loan programs by state entities or government programs, and as such may be further limited above other groups.

**[Table 3. Local microloan providers in New York State]**

*Immigrants' access to loan capital*

The responses from small business owners revealed several issues that may affect the need of and access to loan capital. Before discussing some of the challenges that immigrant business owners experience in accessing loans, it is worthwhile to describe the degree of their interest in loan capital in general. Our study shows that not all immigrant business owners need or want to apply for institutional loans for various reasons. About two-thirds of them have not attempted to apply for loans to open or expand their businesses. Some of them simply did not have the need because they had sufficient funding. Others did not want to apply for institutional loans because they did not want to work with banks or they thought it would be too hard to get a loan. Two business owners also mentioned that they do not want to take loans with an interest based on their religious principles, which frowned upon taking out loans. Instead, they indicated that they prefer to run and grow their businesses on a cash basis.

Among the business owners who were interested in obtaining loans, our study identified common challenges that immigrant small business owners experience in accessing loans. Specifically, they identified three major areas of concern: lack of knowledge of loans, technical difficulties, and disinclination to obtain loans. First, the lack of information on types or sources of loans was a repeatedly mentioned as a significant issue among the small business owners. In fact, only a small number of immigrant entrepreneurs identified as having attempted to apply for loans sought capital from various institutions, including local community development financial institutions, local bank, national bank, and government grant. Moreover, almost all interviewees were not aware of microloan programs. In fact, during the interviews, many business owners inquired about microloans and how they could find more information on microloans. This finding suggests that the information about microloans is particularly not adequately available to

small business owners.

Second, even when the immigrant business owners were familiar or aware of other sources of loans, many immigrants indicated that they had experienced barriers in the loan application process. For example, approximately 40 percent of the immigrant business owners expressed that they experienced barriers in obtaining loans due to their immigration status. A language barrier was frequently mentioned for the source of the difficulty. A quarter of the immigrant small business owners who participated in this study self-reported that they have elementary or limited working proficiency level of English. In fact, one of the business owners participated in the study with the help from his son who helped with translation. Some business owners mentioned not having a green card or a credit history as major barrier, which precludes them from applying for loans. Other participants pointed out that financial institutions provide few resources for them to go through the loan application process. Moreover, even if they are eligible for application, they were not certain whether someone would be available to actually help with the application process. In addition, some business owners mentioned that they believed that they were discriminated against due to their immigrant and or ethnic status. For example, one business owner mentioned, “The city sees us as minorities and neglects us,” and the other said, “People make assumptions based on my race.”

Lastly, many immigrant small business owners expressed that they were disinclined to apply for institutional loans. The study showed that three quarters of the immigrant owners preferred borrowing money from family, relatives, or friends to borrowing from official institutions. Their explanations for preferring family, relatives, and friends include, “they [family, relatives, or friends] will get me funds sooner and easier” and “we can communicate with each other in our language and we know each other’s background history.” Also, many

participants indicated that they had a high level of trust with their family members or friends. They also expressed that these relations often did not charge interest on the loans, which was often a determining factor. Other reasons given by immigrant business owners for avoiding institutional loans include pressure to share a lot of information, too many restrictions, and high interest rates. However, it should also be noted that some immigrant business owners indicated that they preferred official loans because they did not want to risk their relationships with their family, relatives, or friends to be complicated due to money issues. For example, one business owner stated, “family and business don’t mix.”

Next, our study attempted to understand how the business owners thought that the government or banks could facilitate the loan process for them. The small business owners shared various suggestions for reducing some of the barriers experienced by immigrant entrepreneurs, which are summarized in Table 3. Of the suggestions that were mentioned most frequently among immigrant business owners was the need to reducing paperwork, processing time, and restrictions. Business owners also suggested improving outreach, communication, and marketing strategies to make the application process easier. Also, many immigrant business owners mentioned that simplifying or modifying the background check process is critical, especially for those who do not have a credit history or a business experience in the United States. Furthermore, some business owners made a distinction between the role and motivation of private banks and the government to assist them. While the business of banks is focused on making money and has many stakeholders to take into consideration, the government has the ability to provide various programs and incentives to specifically assist and boost small businesses. For example, one business owner suggested that the government should be more willing to invest in businesses that are already profitable and viable but may need more capital

for expansion. The government could also provide grants or tax incentives for small businesses which have already proven that they are sustainable and beneficial to the community by providing employment as well as providing necessary goods and services.

**[Table 4. Small business owners' suggestions to the government or banks regarding how they can help to make the loan process easier]**

Our study also identified specific issues from the perspectives of loan providers. The loan providers acknowledged the value of providing loans to immigrants, but they also identified some practical challenges. For example, they frequently identified the problem of communicating with immigrant entrepreneurs, and stated that they often faced language barriers, due to the fact that English is not the primary language for many immigrants. Moreover, they indicated that they often did not have the resources to cover. Some organizations indicated that they had multilingual staff available but not necessarily located in the same region as the prospective client. Other agencies reported that no multilingual staff was available. Consequently, some loan officers were forced to utilize other organizations or branches to attempt to find bilingual staff member over the phone.

Another constraint on loan providers was the ability to conduct outreach targeted to the various immigrant groups. Loan providers admitted that marketing material to explain various programs was not always available in multiple languages. For example, promotional pamphlets in foreign languages is often limited to only a few languages, such as Spanish and Chinese. This gap in resources that explain the scope of available programs for immigrants inadvertently eliminates some minority groups from accessing loan information.

Loan officers also indicated that many immigrants harbor general distrust of the government or the people who make the decision on the loan process, which inhibits many immigrants from attempting to approach government entities for resources. As one loan officer

stated:

I think some of the challenges we see is that we live in an age of distrust of government. Sometimes people say I'm not telling everything to the government. When they sit down with one of our advisors, for example, we ask them to fill out a form so that we can track whom we are helping. Sometimes they will not sign certain forms, which is really a confidentiality agreement to protect them more than anything (*Loan program officer, personal communication, March 4, 2016*).

Lastly, when we inquired about any borrowing opportunities available for refugee populations, the loan providers also specifically indicated that refugees are the most restricted group of individuals due to additional legal barriers or geographical uncertainties that refugees may accompany. For instance, one loan manager stated the following:

Refugees...I haven't seen it. I think it would be very difficult for us to be able to reach that population because the lender is definitely looking for stability in a sense that they are full-time residents. That can be part of the problem as far as whether somebody will be in the country and whether their residence statuses are temporary or not. I am sure we can look at it once they are settled, but there is so much we wouldn't know regarding the character and background with that population. I think it's difficult to do it at this point.

(*Loan program manager, personal communication, February 4, 2016*)

The federal loan officer also mentioned challenges with reaching out and servicing the refugee community. Specifically, the federal programs require loan recipients to be U.S. citizens or green card holders to receive the loans, and they indicated that in this regard it could take a while for refugees to pursue the government loans. Moreover, from loan providers' perspective, financial literacy and preparedness for business development are critical concerns for refugee populations

as financial history and readiness of applicants will have a serious impact on loan decisions.

## **Discussion**

### ***Summary***

In an effort to provide a better understanding of the current financial constraints that immigrant business owners experience, we have examined the perspectives of both immigrant entrepreneurs as well as loan providers. The findings of this study confirm that many immigrant small business owners are not well aware of borrowing opportunities for which they are eligible. Moreover, they experience technical difficulties with the loan application process, and they are not readily willing to seek loans for variety of reasons. Also, beyond identifying many of the constraints that immigrants face, the business owners also provided enlightening feedback and suggestions on how their situation might be improved. For example, several small business owners suggested that the lenders should do a better job of promoting their borrowing opportunities, facilitate the application process by reducing the amount of required paperwork, expediting the time to process loans, and lifting some of the current restrictions. Business owners also suggested improving community outreach, communication, and marketing strategies to make the application process easier. In addition many immigrant business owners mentioned that simplifying or modifying the background check process is critical, especially for those who do not have a credit history or have business experience in the United States. Moreover, both immigrant business owners and the lenders identified the need to overcome language and cultural barriers as well as better establish trust in order to improve financial accessibility to immigrant entrepreneurs.

### ***Limitations***

Major limitations of this research lie in the fairly small sample size collected in a mid-sized city, Albany, New York, which bears challenges for generalization. Despite our initial effort to include more than 100 business owners, the research was limited in the number of respondents who agreed to participate in our study. While all social and political surveys face the problem of increasing non-response rates associated with difficulties in contacting respondents and in obtaining their cooperation (Stoop 2005), collecting information from immigrants and ethnic minorities have been found to be significantly more challenging because these populations may accompany language barriers, cultural differences, or illegitimate legal statuses that discourage them from participating in surveys (Font and Méndez 2013). In addition, the topic of this study (that is, loan-seeking behaviors) could have caused more reluctance because finance is one of the sensitive themes (for example, income, intimate behaviors, voting and political opinions) that may evoke defensive attitudes, partial nonresponse or even a refusal to participate in studies among people in general (Font and Méndez 2013). In our study, we found that some of the immigrant entrepreneurs were not listed on public sources, and thus their contact information was not readily available. Also, many of the business owners indicated that they were very busy and were reticent to take the time away from their store activities to participate. Others could not communicate proficiently in English. Furthermore, quite a few of the targeted individuals expressed that they were not comfortable answering the questions in general. Perhaps some of the reticence to participate can be partially explained by cultural differences or even a general concern about discussing issues which they might believe affect them, especially if they are undocumented. These challenges with data collection limit our study mainly to be explorative, but we contend that the information gleaned from our sample has still provided some new insight regarding the opinions of immigrant business owners. To overcome these challenges, follow-up

research can utilize interpreters more actively when recruiting and interviewing immigrant entrepreneurs.

### ***Policy implications***

This study shows us that some of the initial problems identified as barriers for ethnic minority entrepreneurs many years ago unfortunately still remain. As stated by Light and colleagues (1990) “obtaining loan capital poses an obstacle for all small business ventures, but the problem is especially severe for immigrant or ethnic minority entrepreneurs, who lack credit ratings, collateral, or are victims of ethno racial discrimination” (Light, Kwuon, and Zhong 1990, p.35). Our findings suggest that policy makers, funders, and microlenders need to reconsider and restructure the communication and outreach strategies to appeal to their target groups. As recommended by Canedo and colleagues (2014), policy makers should become more aware of the real needs of individual entrepreneurs before launching public programs to enhance entrepreneurship because there is evidence that programs without these considerations do not necessarily stimulate and enhance entrepreneurialism. Also, more marketing materials and consultation services in various languages should be developed to better inform immigrant entrepreneurs of potential financial opportunities. While many programs are directed at small business growth, our findings suggest that we do not do an adequate job of informing immigrant entrepreneurs.

In addition, we contend that more innovative programs need to be developed for immigrant entrepreneurs. Although some pioneering efforts have been made to incubate immigrant and refugee businesses with reported success in Dearborn, MI and Portland, OR (Jamali 2014; Wozniacka 2014), these programs have yet to be adopted across the United States. We believe that more programs need to be developed to better target various ethnic enclaves,

where loan providers can receive appropriate training to be more culturally sensitive and adept in dealing with ethnic groups. We also suggest that the federal government rethink the types of programs currently offered that underwrite loans to small businesses, to ensure that they are fully embracing the immigrant population. We also recommend that the business community provide mentorship programs to reach out to these individuals and provide business knowledge and expertise to insure a more viable business community overall.

Lastly, it is our hope that this paper has shed new light on an existing problem for immigrant entrepreneurs and that it will stimulate new research in the field. In particular, we hope that our paper will stimulate more research directed at bridging the disparities between loan providers and immigrant entrepreneurs and finding viable alternatives that will not only finance business ventures but also educate and inform these entrepreneurs of the array of possibilities that may be available to them to achieve more financial success. We recognize that immigrant businesses are a vital part of the small business sector and as such we need to do a better job of helping to eliminate the disparity in immigrants' access to financial resources to better ensure their long-term entrepreneurial success and sustainability.

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**Table 1. Descriptive characteristics of business owners who participated in the study**

<b>Category</b>	<b>Description</b>
<i>Business characteristics</i>	
Age	On average 11.68 years (Ranges from 1 – 39 years) 30 % were less than three years old
Type	Half of the participants were restaurant owners Other major types of businesses include barber shops/hair salons, grocery stores, and other retail stores
<i>Business owner characteristics</i>	
Gender	70 % male
Age group	Ranges from the 30s and 60s (Half of the interviewees were 30s and 40s)
Immigration history	20 foreign-born and 1 refugee
Ethnic background	Mostly Asian, but diverse across Bangladesh, Bengali, Burmese, Chinese, Dominican, Emirati, German, Guyanese, Indonesian, Italian, Jamaican, Pakistani, Syrian, Thai, and Turkish, to name a few

Table 2. Federal government loan programs

Agent/Program Ownership	Type of Intervention	Program Name	Description	Loan Limit	Limitations
U.S. Small Business Administration (SBA)	Loan guarantee	Basic 7(a) Loans Standard procedures	Guarantees as much as 85% on loans less than \$150,000 and 75% on loans greater than \$150,000	\$5 million	Targets established businesses only Larger loans more common No support services
		Special Types of 7(a) Loans Small Loan Advantage	Guarantees 85 percent for loans up to \$150,000 and 75 percent for those greater than \$150,000	\$350,000	
		Community Advantage	Guarantees 85 percent for loans up to \$150,000 and 75 percent for those greater than \$150,000	\$250,000	
Direct lending and/or loan guarantee		Microloan Program	SBA makes a loan to an intermediary, who in turn makes the microloan to the applicant	\$50,000 (Average)	Limited funding for program Must fulfill training or planning requirements before loan application is considered
			Intermediary provides management and technical assistance	\$13,000)	

Source: Small Business Administration

**Table 3. Local microloan providers in New York State**

<b>Community Development Financial Institutions (CDFIs)</b>	<b>City</b>
BOC Capital Corporation	Brooklyn
Exceed Network	Brooklyn
REDEC Relending Corp. (REDEC/RRC)	Corning
Community Capital New York, Inc.	Hawthorne
Columbia Economic Development Corp dba. Choose Columbia	Hudson
ACCION USA, Inc.	New York
Business Center for New Americans	New York
Renaissance Economic Development Corporation	New York
Washington Heights and Inwood Dev. Corp	New York
Pathstone Enterprise Center, Inc.	Rochester
Adirondack Economic Development Corporation	Saranac Lake
<b>PRIME grantees (2009-2015)</b>	
NYBDC Local Development Corporation	Albany
Community Loan Fund of the Capital Region, Inc.	Albany
South Bronx Overall Econ Development	Bronx
Business Outreach Center Network, Inc.	Brooklyn
CAMBA, Inc.	Brooklyn
Community Capital New York, Inc.	Hawthorne
Business Center for New Americans	New York
Renaissance Economic Development Corporation	New York
Seedco Financial Services, Inc.	New York
Queens Economic Development Corporation	New York
East Harlem Business Capital Corporation	New York
Local Initiatives Support Corp.	New York

New York Women's Chamber of Commerce	New York
Ibero American Action League, Inc.	Rochester
Syracuse University	Syracuse
Source: Small Business Administration	

**Table 4. Small business owners' suggestions to the government or banks regarding how they can help to make the loan process easier**

Number of respondents	Suggestions	Related quotes
9	Reduce paper work	"Less paperwork, they ask for a lot of documentation!"
5	Provide low-interest rate loans or non-interest financing options	"No interest loans or other financing options" "Allow diverse loan models"
4	Consider alternative criteria for loan decisions other than credit score or income level	"Help people with bad credit. A low score doesn't reflect their ability to pay" "Bank should not only focus on credit score as the loan requirement. Bank should also see if the person is willing to pay" "Loans should be based on a person's business insight. Assess the individual's idea without collateral" "Don't judge credit score and previous business failures. Assess the good years, not the bad ones."
4	Reduce processing time	"Streamline the paperwork, decrease processing time" "Improve clarity"
2	Reduce restrictions	"It's hard to get a loan for a business younger than two years old. Make it one year or less!" "It's hard to get a loan without a green card"
2	Improve marketing and communication strategies	"Better advertising! Make us aware of all the resources out there. Communication is key. Small business owners don't have time and resources to research."
1	Make the application process more approachable online	"Self-questionnaires made available online so you can determine your own eligibility"
1	Provide bigger loans	
1	Improve relations Build relationships	"Bank must make attempt to know personally the business, to make visit to business in order to understand the nature of the business."
1	Provide training for people who are interested in starting small business	

Note: Eight people made no comments on this question.